

Program Summary

Board of Medical Student Loans

Medical Student Assistance

Program Overview

The Board of Medical Student Loans distributes financial aid to qualified resident students enrolled at the University of Arizona College of Medicine or private medical schools within Arizona. The University of Arizona College of Medicine and Midwestern University provide the board with support services at no cost.

Medical students who participate in the program agree to practice in the state's medically underserved areas 1 year for each year of financial support, but at least 2 years. Participants not meeting the service requirement must repay all funds expended on their behalf, plus 7% interest and additional penalties. One goal of this assistance is to increase the number of physicians providing services to rural and other medically underserved areas, medically underserved populations, and Indian reservations in Arizona.

The Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) made several changes to the Medical Student Loan Program, which are summarized below.

Changes to the loan program include:

- Increases the living allowance amount from \$17,000 to \$20,000;
- Removes the limit of 40 loans the board was allowed to grant per year;
- Opens up the program from family practice, general pediatrics, combined medicine and pediatrics, obstetrics and gynecology, or general internal medicine to all specialties approved by the board;
- Distributes at least 50% of all monies to students attending private medical schools; and
- Eliminates financial need as the basis for a loan.

This legislation also repealed the Medical Student Scholarship program, which was created in FY 2006. All funds from the Medical Student Loan and Medical Student Scholarship Program were transferred to fund the newly reorganized Medical Student Loan program. The living allowance portion of the scholarship, approximately \$20,000, is treated as taxable income by the Internal Revenue Service. Subsequently, scholarships were eliminated because of their tax treatment, while loans are not taxable.

Program Funding

The Board of Medical Student Loans receives funding from 2 sources: the state General Fund, and

the Medical Student Loan Fund (MSLF). Funding for the agency was relatively unchanged from FY 2006 to FY 2007. The FY 2007 funding level represents an increase of 429% from FY 2001 levels. The higher level of expenditures represents additional funding from the General Fund for a medical student scholarships program in FY 2006 before the programs were merged. *Table 1* displays historical funding information for medical student assistance by fund source, using data from FY 2001 and FY 2005 to FY 2007.

Table 1				
Board of Medical Student Loans				
Funding History				
<u>Fund</u>	<u>FY 2001</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
GF	\$322,100	\$ --	\$1,500,000	\$1,500,000
AMBF	--	283,400	283,400	--
MSLF	20,300	13,200	13,200	309,800
Total	\$342,400	\$296,600	\$1,796,600	\$1,809,800

The Arizona Medical Board Fund (AMBF) was eliminated in FY 2007 as a source of funding for the loan program. AMBF monies are generated by fees collected from the examination and licensing of physicians, which fund the operating expenses of the Arizona Medical Board. From FY 2004 to FY 2006, AMBF monies were used, rather than a General Fund appropriation, to provide funding for the loan program. A footnote in the FY 2006 General Appropriation Act, however, stated the Legislature's intent to discontinue the AMBF as a source of revenue for the board in FY 2007.

At the FY 2006 funding level, the board provided loans for 9 students, including 5 University of Arizona College of Medicine students who received up to \$30,547, and 4 Arizona College of Osteopathic Medicine students who received up to \$38,428. This is approximately 94% of the cost of public medical school education and 89% of the cost of private medical school education. Under the loan program, tuitions for public school plus living allowance determine the loan amounts.

In FY 2006, the board also provided scholarships for 7 students, including 2 University of Arizona College of Medicine students who received \$30,359, and 5 Arizona College of Osteopathic Medicine students who received \$52,486. This is approximately 93% of the cost of public medical school education and 89% of the cost of private medical school education. In FY 2007, all scholarship students will receive loans. The board estimates it will provide 37 loans, which includes the 7 former scholarship students, totaling

\$1,809,600 in FY 2007. Final amounts will be decided when the board meets in the fall.

Performance Measures

Table 2 displays the measures the Board of Medical Student Loans uses to assess the performance of their loans. The percentage of physicians meeting the service requirement is calculated by comparing the number of physicians currently practicing medicine in conjunction with the Medical Student Loans Program to the number of participants not meeting the service obligations of the program (excluding those in military deferment).

In FY 2004, the first year the board took a customer satisfaction survey, 44% of participating students

responded. The board records the loan amount provided to each student and the loan as a percentage of average annual cost of medical school.

To gauge how many students are serving in rural and other medically underserved areas, the board's performance measures include the number of physicians in service and physicians continuing service after service requirement is met.

Additional outcome measures, such as recruitment and retention of students, would also be useful, as the merit based requirement will undoubtedly affect recruitment strategy.

Table 2 Board of Medical Student Loans Performance Measures				
<u>Performance Measure</u>	<u>FY 03 Actual</u>	<u>FY 04 Actual</u>	<u>FY 05 Actual</u>	<u>FY 06 Estimate</u>
Maximum loan amount (percent) provided to each student	86	92	93	100
Loan as a percentage of average annual cost of public medical education	85	88	89	90
Students funded per year	13	13	11	8
Percent of student participants progressing towards/achieving medical degree	100	100	100	100
Physicians in service	17	15	15	12
Physicians continuing service after service requirement is met	27	30	32	33
Percent of physicians who have provided service in eligible sites	NA	NA	93	91
Customer satisfaction rating (Scale 1-8)	NA	7.3	6.1	7.4